
Second SEISS grant scheme

To qualify for the second SEISS grant the business must be adversely affected by the coronavirus pandemic on or after 14 July 2020.

The Chancellor's announcement on 29 May told us the SEISS would be extended with a second tranche of money available from August. We were promised further details on this second grant on 12 June, but little new information has emerged so far.

We still don't know when the online portal will open for the second SEISS grants. But we do know the amount of the grant will be calculated at 70% of the taxpayer's annual average profits, capped at £2,190 per month, and payable for three months.

The other conditions to qualify for the second grant remain the same as for the first SEISS grant.

Adversely affected

The main addition to the HMRC guidance for SEISS is further emphasis on the requirement for the business to have been "adversely affected" by the coronavirus pandemic as a pre-condition for claiming the grant.

What is meant by "adversely affected" is left to HMRC to interpret, as there is no definition of this term in the HMRC SEISS Direction published on 30 April. It is possible that a further HMRC direction will be published before applications open for the second SEISS grant.

To be considered adversely affected, HMRC says a business must have either temporarily stopped trading, or has been scaled back, and it suggests three possible causes for this reduction or cessation in trade as:

- supply chain has been interrupted
- fewer or no customers or clients
- staff were unable to work

Those three categories broadly cover supplies, sales, and staff, but there could be other reasons for a reduction in profits, such as increased costs.

For example, many businesses have had to undertake more cleaning, install screens and signage, and provide protective equipment to staff. The HMRC guidance does not appear to consider these increased costs as being adversely affected, but it certainly would be, as at the margins such cost increases could mean the business is no longer viable.

In addition, HMRC states that the business will have been adversely affected if the owner(s) can't work because they are:

- shielding themselves or someone else in their household
- self-isolating
- on sick leave because of coronavirus; or
- have caring responsibilities because of coronavirus

In all cases, the taxpayer should keep records of how and why they believe their business has been adversely affected, and for which periods.

Continue to work

HMRC emphasises that the self-employed taxpayer can continue to work in their business while receiving the SEISS grant.

Timing

HMRC provides no guidance on how long the period of non-trading has to last for, or by what percentage the normal level of trading business has to reduce by, for the business to qualify as adversely affected. One could argue that a cessation of trading for as little as a few days would be enough.

Accurate recording of the timing of trading conditions and costs for the business will be crucial, as the second SEISS grant can only be claimed if the business is adversely affected on or after 14 July 2020.

The government clearly expects many businesses to bounce back to near normal operation from July onwards, and it does not want to continue paying business support grants unnecessarily.

HMRC has provided a series of examples of a builder who is unable to work for particular periods and whether the timing of the work allows her to claim the first or second SEISS grants.

In the last example, the builder becomes sick with coronavirus in August and can't work for six weeks, so she becomes eligible to claim the second SEISS grant.

The possibility of catching the virus will remain a real risk until a vaccine is available to the entire population, which poses the question: how long will the second SEISS grant remain open for? We just don't know at this stage.

We do know that the first SEISS grant must be claimed by 13 July 2020, so encourage your clients to claim it, if they are eligible, and have not yet done so.

Tax hit

Tax agents can't claim the SEISS grants on behalf of clients.

The SEISS grant is taxable income for 2020/21, so the tax will be payable by 31 January 2022.

For construction industry subcontractors, who are used to receiving their income with CIS-tax deducted at 20% or 30%, the SEISS grant will be a cashflow fillip as no tax is deducted at source. This means those CIS subbies may well have tax to pay for 2020/21 rather than be due a tax refund.

HMRC guidelines can be found at: <https://www.gov.uk/coronavirus/business-support>

If you have any queries please do not hesitate to contact us or visit our website for further information.

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